



**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Member of Council  
City of Circleville  
Pickaway County  
133 South Court Street  
Circleville, Ohio 43113

We have audited the accompanying financial statements of the City of Circleville, Pickaway County, Ohio (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. As discussed in Note 1, the City prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the City of Circleville, Pickaway County, Ohio as of December 31, 2001, and the combined cash receipts and disbursements and its combined budgeted and actual receipts and its combined budget and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, and City Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**JIM PETRO**  
Auditor of State

May 9, 2002

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust Fund</u>	
<b>Cash Receipts:</b>						
Local Taxes	\$2,438,625	\$2,008,481	\$406,564	\$1,109,585	\$0	\$5,963,255
Intergovernmental	1,536,107	1,428,848	0	2,377	0	2,967,332
Special Assessments		0	0	13,567	0	13,567
Charges for Services	241,731	8,910	0	0	0	250,641
Fines, Licenses, and Permits	733,633	169,986	0	0	378	903,997
Miscellaneous	563,331	74,903	162,811	146,183	10,042	957,270
Total Cash Receipts	<u>5,513,427</u>	<u>3,691,128</u>	<u>569,375</u>	<u>1,271,712</u>	<u>10,420</u>	<u>11,056,062</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Person and Property	1,820,788	1,550,864	0	187,740	0	3,559,392
Public Health Service	169,653	0	0	0	0	169,653
Leisure Time Activities	277,219	28,290	0	0	0	305,509
Community Environment	73,729	291,330	0	0	0	365,059
Basic Utility Services	9,148	0	0	0	0	9,148
Transportation	0	527,871	0	28,787	2,648	559,306
General Government	2,245,239	360,248	0	134,483	8,971	2,748,941
Capital Outlay	35,743	1,102,259	0	1,195,152	900	2,334,054
Debt Service	0	0	570,160	0	0	570,160
Total Cash Disbursements	<u>4,631,519</u>	<u>3,860,862</u>	<u>570,160</u>	<u>1,546,162</u>	<u>12,519</u>	<u>10,621,222</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>881,908</u>	<u>(169,734)</u>	<u>(785)</u>	<u>(274,450)</u>	<u>(2,099)</u>	<u>434,840</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	881,908	(169,734)	(785)	(274,450)	(2,099)	434,840
Fund Cash Balances, January 1, 2001	<u>1,352,994</u>	<u>1,419,133</u>	<u>14,505</u>	<u>6,134,314</u>	<u>56,186</u>	<u>8,977,132</u>
Fund Cash Balances, December 31, 2001	<u><b>\$2,234,902</b></u>	<u><b>\$1,249,399</b></u>	<u><b>\$13,720</b></u>	<u><b>\$5,859,864</b></u>	<u><b>\$54,087</b></u>	<u><b>\$9,411,972</b></u>
Reserve for Encumbrances, December 31, 2001	<u>\$115,418</u>	<u>\$274,024</u>	<u>\$0</u>	<u>\$3,213,646</u>	<u>\$200</u>	<u>\$3,603,288</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CIRCLEVILLE  
PICKAWAY COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, CHANGES IN FUND  
CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$3,113,167	\$0	\$5,039	\$3,118,206
Miscellaneous	29,672	0	0	29,672
Total Operating Cash Receipts	<u>3,142,839</u>	<u>0</u>	<u>5,039</u>	<u>3,147,878</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	1,689,286	0	0	1,689,286
Travel Transportation	6,680	0	0	6,680
Contractual Services	323,224	0	0	323,224
Supplies and Materials	319,950	0	0	319,950
Capital Outlay	559,544	0	0	559,544
Total Disbursements	<u>2,898,684</u>	<u>0</u>	<u>0</u>	<u>2,898,684</u>
<b>Operating Income/(Loss)</b>	<u>244,155</u>	<u>0</u>	<u>5,039</u>	<u>249,194</u>
<b>Non-Operating Cash Receipts</b>				
Intergovernmental	29,999	0	0	29,999
Miscellaneous	2,593	430	0	3,023
Other Non-Operating Receipts	1,909	0	1,199,148	1,201,057
Total Non-Operating Receipts	<u>34,501</u>	<u>430</u>	<u>1,199,148</u>	<u>1,234,079</u>
<b>Non-Operating Cash Disbursements</b>				
Other Non-Operating Disbursements	<u>29,125</u>	<u>600</u>	<u>1,200,715</u>	<u>1,230,440</u>
Excess of Receipts Over/(Under) Disbursements	<u>249,531</u>	<u>(170)</u>	<u>3,472</u>	<u>252,833</u>
Fund Cash Balances, January 1, 2001	4,332,335	11,548	117,222	4,461,105
Fund Cash Balances, December 31, 2001	<u><b>\$4,581,866</b></u>	<u><b>\$11,378</b></u>	<u><b>\$120,694</b></u>	<u><b>\$4,713,938</b></u>
Reserve for Encumbrances, December 31, 2001	<u>\$194,496</u>	<u>\$0</u>	<u>\$190</u>	<u>\$194,686</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2001**

Fund Types	Budget	Actual	Variance Favorable (Unfavorable)
Governmental:			
General	\$4,672,324	\$5,513,427	841,103
Special Revenue	3,850,002	3,691,128	(158,874)
Debt Service	569,209	569,375	166
Capital Projects	1,045,587	1,271,712	226,125
Proprietary:			
Enterprise	3,929,093	3,177,340	(751,753)
Fiduciary:			
Expendable Trust	9,100	10,420	1,320
Non-Expendable Trust	450	430	(20)
<b>Totals</b>	<b><u>\$14,075,765</u></b>	<b><u>\$14,233,832</u></b>	<b><u>\$158,067</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2001**

Fund Types	Prior Year Carryover	2001 Appropriations	Total	Actual Disbursements	Encumbrances Outstanding At 12/31/01	Total	Variance Favorable (Unfavorable)
Governmental:							
General	\$144,606	\$5,123,534	\$5,268,140	\$4,631,519	\$115,418	\$4,746,937	\$521,203
Special Revenue	326,924	4,191,505	4,518,429	3,860,862	274,024	4,134,886	383,543
Debt Service	0	570,160	570,160	570,160	0	570,160	0
Capital Projects	777,185	5,508,342	6,285,527	1,546,162	3,213,646	4,759,808	1,525,719
Proprietary:							
Enterprise	412,725	4,714,604	5,127,329	2,927,809	194,496	3,122,305	2,005,024
Fiduciary:							
Expendable Trust	0	44,500	44,500	12,519	200	12,719	31,781
Non-Expendable Trust	0	600	600	600	0	600	0
<b>Totals</b>	<b><u>\$1,661,440</u></b>	<b><u>\$20,153,245</u></b>	<b><u>\$21,814,685</u></b>	<b><u>\$13,549,631</u></b>	<b><u>\$3,797,784</u></b>	<b><u>\$17,347,415</u></b>	<b><u>\$4,467,270</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The City of Circleville, Pickaway County, (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following services to its residents: public safety services including police and fire protection, utilities consisting of water and sewer services, street and alley maintenance, emergency medical services, parks and recreation, and judicial services via a Municipal Court.

The City's management believes the financial statements included in this report represent all funds of the City over which it has the ability to exercise direct operating control.

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Equity in Pooled Cash and Investments**

Monies held in the City treasury are pooled for the purpose of investment management. The City is authorized to invest in those instruments identified in Section 135.14 of the Ohio Revised Code. Specifically, these authorized instruments consist of:

Bond, Notes or other obligations guaranteed by the United States or those for which the full faith and credit of the United States is pledged;

Bonds, Notes, debentures or other obligations or securities insured by any federal government agency; or instrumentality. All Federal agency securities shall be direct issuances of the federal government agencies or instrumentalities.

Written repurchase agreements in the securities listed above;

Bonds and other obligations of Ohio, its political subdivisions, or other units or agencies of Ohio or its political subdivisions;

Time certificate of deposit or saving or deposit accounts, including but not limited to, passbook accounts; No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations provided that investment in securities are made only through eligible institutions;

The State Treasurer's investment pool (StarOhio).

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Equity in Pooled Cash and Investments (Continued)**

**Deposits:** Government Accounting Standards Board (GASB) Statement No. 3 requires that all deposits be classified as to risk. The following categories are most typically used:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity's name;
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- C. Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name)

The City's deposits and investments are classified below using the criteria noted above.

At year-end, the carrying amount of the City's deposits was \$14,114,470 and the bank balance was \$14,113,909. Deposits are insured by the Federal Depository Insurance Corporation (FDIC) to \$800,000 and the balance is secured by pooled and pledged securities held by the Public Depository.

**Investments:** The City's investments include donated Common stock and United States series H Savings Bonds which are held by the City at the Fair Value at the time of donation (carrying value).

	<b>Carrying Value</b>	<b>Fair Value</b>
Common Stock	\$ 1,440	\$ 1,440
U.S. Series "H" Savings Bonds	<u>10,000</u>	<u>10,031</u>
Total Investments	<u>\$11,440</u>	<u>\$11,471</u>

**D. Fund Accounting**

The City uses fund accounting to segregate cash and investments that are restricted as to use. The City classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The City had the following significant special revenue funds:

Street Construction, Maintenance and Repair Fund - This fund receives intergovernmental tax revenues for constructing, maintaining and repairing City roads.

Municipal Income Tax Fund - This fund receives income tax revenue assessed to its citizens for the purpose of funding general activities of the City.

City Permissive and Motor Vehicle Tax Fund - This fund receives local government shared tax revenues for the purposes of repairing City roads.

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of general obligation indebtedness of the City.

**4. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The City had the following significant capital projects fund:

Capital Improvement Fund - this fund receives income tax receipts which are set aside for future capital improvement projects.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The City had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing water services.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer services.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the City is acting in an agency capacity are classified as agency funds. The City had the following significant fiduciary fund:

State Patrol Transfer Fund - is used for moneys collected by the City's Municipal Court which are due to the State Highway Patrol.

**E. Budgetary Process**

A budget of estimated cash receipts and cash disbursements is submitted to the county auditor as secretary of the county budget commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

**1. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

The county budget commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The City utilizes the encumbrance method of accounting. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the City.

**3. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 3,810,000	9.25%
Capital Improvement Bonds	540,000	4.45%
Hospital Improvement Bonds	<u>1,730,000</u>	4.1-5.4%
Total	<u><u>\$ 6,080,000</u></u>	

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. DEBT (Continued)**

Outstanding general obligation bonds consist of an issue for the Justice Center construction, and an issue for improvement of the water system. Capital Improvement bonds consisted of an issue for construction of a new service building, a safety facility to house a fire station, emergency management system facility, and the fire department offices. General Obligation and Capital Improvement bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City.

The Hospital Improvement bonds were issued in 1998 for the benefit of Berger Hospital, the component unit. (See Notes 7 & 8.) The Hospital Improvement Bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from the operating revenues of Berger Hospital through the periodic billings by the City.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Bonds	Capital Improvement Bonds	Hospital Bonds
2002	82,950	317,021	164,635
2003	76,475	316,621	161,335
2004	0	315,871	162,960
2005	0	314,826	164,280
2006	0	318,481	165,285
Subsequent	<u>0</u>	<u>4,431,104</u>	<u>1,792,370</u>
Total	<u>\$ 159,425</u>	<u>\$ 6,013,924</u>	<u>\$ 2,610,865</u>

**4. RETIREMENT SYSTEMS**

The City contributes to the Public Employees Retirement System of Ohio (PERS) a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by state statute and are contained in Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Contribution rates are also prescribed by the Ohio Revised Code. Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their gross salaries. The City is required to contribute an amount equal to 13.55% of participants' gross salaries. For law enforcement employees, the member contribution is 9.0% and the City's contribution is 16.70%.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**4. RETIREMENT SYSTEMS (Continued)**

The PERS of Ohio also provides postemployment health care benefits to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions and requires public employees to fund postemployment health care through their contributions to PERS.

OPEB is financed through employer contributions and the investment income earned thereon. The contributions allocated to retiree health care and Medicare, along with the investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to maintain the program indefinitely.

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Police and Firemen's Board of Trustees. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information. This report may be obtained by writing to Police & Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0%, respectively, for police officers and firefighters.

The PFDPF System of Ohio provides postemployment health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of PFDPF shall be included in the employer's contribution rate, which is 19.5% of covered payroll for police officers and 24.0% of covered payroll for firefighters. Of these employer contribution rates for the City, 6.5% was used to pay health care benefits for the year 2000.

The Ohio Revised Code provides the statutory authority allowing the PFDPF Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. Currently, 6.5% of the covered payroll, as defined by the Board of Trustees, is used to pay retiree health care expenses. In addition, since July 1, 1997, most retirees have been required to contribute a portion of their health care coverage through a deduction from their monthly benefit amount.

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**5. RISK MANAGEMENT**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

**6. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**7. COMPONENT UNIT**

Berger Health Systems (the Hospital) which provides diversified health care services to the city of Circleville and surrounding communities is a Component Unit of the City. The Hospital is governed by a nine member Board of which the Pickaway County Commissioners and the City Council each appoint. The Mayor of the City acts as the president and votes in the event of a tie among the voting majority. The financial activity of the Hospital is not included as a part of the accompanying financial statements. To obtain the Hospital's financial statements contact Berger Health Systems, Finance Department, 600 North Pickaway Street, Circleville, Ohio 43113.

**8. RELATED PARTY TRANSACTIONS**

The City issued the Hospital Improvement Bonds issued in 1998 for the benefit of the component unit, Berger Health Systems ( the Hospital). The Hospital remits to the City, upon billing, monies for payment on the semi-annual debt payments due on the bond issuance. (See Note 3.)

The City billed and received from the Hospital \$162,645 for the year ended December 31, 2001.

CITY OF CIRCLEVILLE  
PICKAWAY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Housing Improvement Project	A-C-99-105-1	14.228	\$15,885
CDBG Downtown Revitalization	A-T-98-105-1	14.228	302,523
CDBG Home Repair	A-C-00-105-1 A-C-01-105-1	14.228	87,500 <u>63,155</u> 469,063
HOME Investment Partnership	A-C-00-105-2 A-C-01-105-2	14.239	378,795 <u>96,122</u> 474,917
Total U.S. Department of Housing and Urban Development			<b>943,980</b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Passed Through Ohio Department of Criminal Justice Services</i>			
Bulletproof Vest Program	00003769	16.607	3,813
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$947,793</u></u></b>

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43215  
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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Members of Council  
City of Circleville  
Pickaway County  
133 South Court Street  
Circleville, Ohio 43113

We have audited the accompanying financial statements of City of Circleville, Pickaway County, Ohio (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 9, 2002, wherein we noted the City did not report under accounting principles generally accepted in the United States of America which reporting is required by the Ohio Administrative Code. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2001-20665-001. We also noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated May 9, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

City of Circleville  
Pickaway County  
Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management, the audit committee, City Council , federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal flourish extending to the right.

**JIM PETRO**  
Auditor of State

May 9, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL  
PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of Council  
City of Circleville  
Pickaway County  
133 South Court Street  
Circleville, Ohio 43113

### **Compliance**

We have audited the compliance of City of Circleville, Pickaway County, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to the major federal program for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the City in a separate letter dated May 9, 2002.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the audit committee, City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**JIM PETRO**  
Auditor of State

May 9, 2002

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	HOME Investments Partnership Program # 14.239
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number**

**2001-20665-001**

**Reporting Requirements**

Ohio Admin. Code Section 117-2-03(B) requires that all cities are to report and prepare its financial report in accordance with generally accepted accounting principles.

The City prepares its financial statements on the basis of accounting formerly permitted or prescribed by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equity and disclosures that, which material, can not be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

It is recommended that the City file its annual financial report to the Auditor of State's office on the generally accepted accounting principles basis of accounting.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL  
AWARDS SUMMARY OF AUDITOR'S RESULTS**

None

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133, SECTION .315(B)**

Finding Number	Finding Summary	Status	Not Corrected
2000-20665-001	Ohio Admin. Section 117-6-01 requires that all cities are to report and prepare its financial report in accordance with generally accepted accounting principles.	Not Corrected	The City has begun the process to prepare financial statements according to generally accepted accounting principles and to meet the requirements of GASB 34, by 2003.
2000-20665-002	CFDA #14.239 -Monies received under this grant were not expended down below \$5,000 within 15 days of receipt	Corrected	





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CITY OF CIRCLEVILLE**

**PICKAWAY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 2, 2002**